

CHAPTER IV.

FIRST CENTURY OF THE BANK OF ENGLAND.

The Economic and Financial Conditions Out of Which the Bank Grew— Early Difficulties and the First Suspension of Specie Payments—The Loans of the Napoleonic Wars and the Restriction of 1797 — Pitt's Bnormous Drafts upon the Bank.

Bank of England, like many of the Continental banks, had its origin in the needs of the State. The institution which resulted has been several times the victim of the monetary necessities of the government, but has not been dragged quite so persistently as the banks of Italy, Austria, and Russia through the mire of depreciated money and forced legal tender. The Bank of England has come to enjoy, by a series of changes in the law, the substantial monopoly of note issue in England and Wales, and has proved one of the strongest banking institutions of the world. The note circulation, since the Act of 1844, *^s based wholly upon securities and deposits of coin and bullion. The rigidity of the English system, by which expansion is prevented to meet changing conditions of business, has received the condemnation of most students of political economy, but this has not kept it from becoming to some extent the model of national banks of later foundation on the Continent of Europe. The defects of the English system of note are those which are most apparent in a country where deposit banking is in its infancy. They are less obvious and oppressive in England than they would otherwise be because of her small area, the wide use of credit instruments and the closely-knit commercial relations of her people.